

Message Text

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ACTION EB-11

INFO OCT-01 AF-10 EUR-25 ISO-00 COME-00 INT-08 L-03

CIAE-00 DODE-00 INR-10 NSAE-00 PA-03 RSC-01 USIA-15

PRS-01 TRSE-00 AID-20 SS-15 NSC-10 SCEM-02 DRC-01

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FM AMEMBASSY LUSAKA

TO SECSTATE WASHDC PRIORITY 9314

INFO AMCONSUL JOHANNESBURG

AMEMBASSY LONDON

C O N F I D E N T I A L LUSAKA 1636

E.O. 11652: GDS

TAGS: EIND, EMIN, ZA

SUBJECT: REVISION MINING AGREEMENTS

REF: LUSAKA 1612

1. CHARGE MET THIS MORNING WITH AMAX'S VUILLEQUEZ AND ACHESON WHO PAINTED SAME PICTURE OF UNCERTAINTY AS ANGLO'S DE BEERS. ACHESON CONFIRMED MINISTER MULEMBA'S APPARENT LACK OF UNDERSTANDING OF WHAT INVOLVED IN PRESIDENT'S AUGUST 31 DECISIONS RE MINE AGREEMENTS AND HIS FAILURE OR INABILITY INDICATE HOW GRZ INTENDS PROCEED. NOTED MINISTER NOT EVEN CONVERSANT WITH TEXT OF PRESIDENT'S STATEMENT TO PRESS OR CERTAIN OF HIS OWN ROLE.

2. VUILLEQUEZ SAID AMAX IN POSITION TAKE FORCEFUL DEFENSIVE COUNTER-MEASURES BUT HE DOES NOT BELIEVE IT SHOULD BE DONE AT THIS STAGE. SITUATION OBVIOUSLY NOT AT ALL CLEAR AND IT POSSIBLE WHOLE MATTER CAN BE RESOLVED IN TIME WITHOUT RECOURSE TO TOUGH ACTION. IN ANY EVENT, HE WOULD WANT TO MEET WITH PRESIDENT BEFORE TAKING ANY MAJOR STEPS AND INVOKING ARBITRATION PROVISIONS OF MINE AGREEMENTS. THIS DOES NOT MEAN VUILLEQUEZ PLANS SIMPLY WAIT FOR ZAMBIANS TO DECIDE THEIR NEXT MOVE AND COME TO HIM.

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HE INTENDS TO INSIST ON CONTINUING OPERATION OF MINE CONTRACT

PROVISIONS UNTIL SUCH TIME AS AGREEMENT ON ANY CHANGES REACHED. FOR EXAMPLE, AMAX HAS ALREADY MOVED TO REQUIRE PAYMENT OF OVERDUE FEES.

3. DURING DISCUSSION, DE BEERS CALLED TO SAY MINISTER OF FINANCE MWANAKATWE HAD JUST INFORMED HIM DELINQUENT AUGUST FEES AND REIMBURSEMENTS DUE AMAX AND ANGLO WOULD NOW BE PAID. COMPANIES SHOULD CONTACT BANK OF ZAMBIA GOVERNOR KUWANI (WHO HAD JUST LEFT FOR LONDON*). VUILLEQUEZ SAID HE INTENDED TO HOLD ZAMBIANS TO STRICT BUSINESS PRACTICES AND CHARGE INTEREST FOR LATE PAYMENT.

4. NO MOVE HAS YET BEEN MADE TO REDEEM ZIMCO BONDS. ACCORDING TO ACHESON, IT CLEAR FROM WHAT MWANAKATWE HAS SAID SO FAR THAT GRZ INTENDS REDEEM BONDS WITH FIFTY MILLION BANK OF AMERICA AND HUNDRED MILLION LOEB, RHOADES EURODOLLAR LOANS, REMAINDER TO BE COVERED FROM FOREIGN EXCHANGE RESERVES. VUILLEQUEZ HAD WITH HIM PROSPECTUSES FOR THE TWO EURODOLLAR LOANS. THEY CALL FOR PROCEEDS OF LOANS TO BE DEVOTED TO RURAL AND OTHER DEVELOPMENT, AS WELL AS COPPER INDUSTRY EXPANSION; THERE CLEARLY NO PROVISION FOR USE OF EITHER LOAN IN BOND REDEMPTION. VUILLEQUEZ COMMENTED COST OF POLITICS IS HIGH IF ZAMBIA PLANS TO REDEEM SIX PERCENT BONDS WITH 15 PERCENT MONEY. (WE MAKE COST OF EURODOLLAR MONEY NEARER THIRTEEN PERCENT AT PRESENT.) (FOR LONDON: THIS IS AS DEFINITE AS WE CAN BE AT MOMENT IN RESPONSE TO LONDON 10139.)

5. VUILLEQUEZ GAVE SLIGHTLY DIFFERENT FIGURE THAN DE BEERS FOR BOND PAYMENT DUE ANGLO--I.E., 145 MILLION DOLLARS--AND CLARIFIED BREAKDOWN OF CLAIMS ON OTHER EIGHTY MILLION. AMAX'S SHARE OF LATTER, ONE-THIRD; ANGLO, 25 PERCENT; AND INDIVIDUAL SHAREHOLDERS THE REMAINDER.

6. THERE APPARENTLY SOME BREAKTHROUGH IN UNBLOCKING ACCOUNTS OF MINING COMPANIES' PURCHASING ORGANIZATIONS. ACCORDING TELEX RECEIVED BY AMAX ZAMBIA FROM LONDON OFFICE, BANK OF ZAMBIA REPRESENTATIVES HAVE INFORMED LATTER PAYMENTS FROM LONDON ACCOUNT FOR PURCHASES MADE TO DATE WILL NOW BE ALLOWED AGAINST PRESENTATION PROPER DOCUMENTATION. ALL FUTURE PAYMENTS MUST BE MADE FROM ZAMBIA. VUILLEQUEZ OBSERVED THIS WOULD MEAN INTERMINABLE DELAYS IN ZAMBIAN BUREAUCRACY AND UNCERTAINTY AMONG VENDORS WHO WILL CONSEQUENTLY INCREASE THEIR CHARGES.

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7. QUESTION OF WHO BEHIND PRESIDENT'S DECISION REVISE MINE AGREEMENTS REMAINS UNANSWERED, BUT VUILLEQUEZ AND ACHESON CONSIDER MWANAKATWE AND KUWANI LIKELY CANDIDATES FOR SHARE IN RESPONSIBILITY. SAID MWANAKATWE IN PARTICULAR HAS LONG SOUGHT REVISION TO IMPROVE FINANCIAL BENEFIT TO ZAMBIA.

8. STATE 176486 JUST RECEIVED. NOTE THERE SEEMS TO BE NUANCE

OF DIFFERENCE BETWEEN MACGREGOR AND VUILLEQUEZ VIEWS REGARDING
APPROACH TO GRZ ON IBRD ARBITRATION, MACGREGOR APPARENTLY
CONTEMPLATING EARLY ACTION AND VUILLEQUEZ EXPECTING HOLD OFF
FOR PRESENT. CONCERNING RECENT SYNDICATED EURODOLLAR LOANS,
WOULD APPEAR PARTICIPATING BANKS WILL BE AS CONCERNED AS
MACGREGOR BY THEIR USE FOR REDEMPTION OF ZIMCO BONDS. NELSON

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